2 P

March 1, 2010

To: Chairmen Eric D Coleman and Brendan Sharkey
And members of the Planning and Development Committee of the Connecticut General Assembly

From: Lisa Biagiarelli, CCMC, Esq., Tax Collector, City of Norwalk

Re: Raised Bill #5269 – An Act Concerning Delinquent Property Taxes

This testimony is in opposition to the above proposal. This proposal seeks to change the uniform statutory interest rate of 18% per year and to make the interest rate a 'local option', to be set by the individual municipalities at a rate not to exceed 18%.

This proposal is unsound for many reasons. To begin, Connecticut tax collectors and members of the General Assembly have long endeavored to promote uniformity in procedures and compliance with applicable state laws. It is one thing to have individual towns set their own tax rates in order to raise the appropriate amount of revenue needed to fund their operations, based upon their most recent grand list. However, to allow towns the 'option' to charge interest on unpaid property taxes, and to thrust upon local legislative bodies the burden of determining what that rate will be, turns interest into a 'political football' and opens the door to a tremendous amount of political mischief, at the expense of the already burdened on time taxpayer. To allow towns to charge different interest rates on back taxes will confuse our constituents and give our property tax system the appearance of being very inequitable and haphazard.

The rate of interest should be standardized. Interest on back taxes is meant to encourage on time tax payments, on which the municipalities' financial health is predicated, and to compensate the town for having to operate without the funds it budgeted for. Anything that discourages taxpayers from paying on time ends up hurting the law abiding, on time payer who is already paying his or her fair share. He or she will face a higher burden if forced to pay more to subsidize those who choose to pay late. The town or city still needs to raise the same amount of revenue to fund its programs. Towns do not eliminate programs because people choose to pay late. Instead, it makes up the difference in the 'allowance for uncollected taxes' by raising the mill rate, thus increasing the burden on those who pay on time. In a system where fairness is already considered elusive, this is not sound policy. Interest rates could change based on local election cycles – lower in election years, higher in other years. Tax collectors will have to keep track of different interest rates depending on what the legislative body decided to do in any given year. Taxpayers would be encouraged to falsely report or fraudulently relocate their vehicles and equipment to the 'most lenient' town, with the lowest interest rate. Towns will risk revenue shortfalls due to decreased tax collections, because of the lack of incentive to pay on time. A legislative body may bow to political pressure and reduce the interest rate below what is prudent – or decide to charge no interest at all. If this occurs, what incentive would there be to pay taxes on time? Again, the lost revenue will have to be made up by the already heavily burdened on time payer - or by the State.

Taxation is a state power. States have granted to the municipalities the ability to raise local property taxes within certain guidelines. Allowing the municipalities to decide what rate of interest to charge on back taxes could almost be construed as the state choosing to give up its proper exercise of authority in an area where principles of equity call for standardization and uniformity.